

CITY OF ELDON  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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# CITY OF ELDON

## Officials

<u>Name</u>	<u>Title</u> (Before January 2008)	<u>Term Expires</u>
Roger Gosnell	Mayor	Jan. 2008
Reed Vass	Council Member	Jan. 2008
Jerry Potts	Council Member	Jan. 2008
Robert Moore	Council Member	Jan. 2008
Linda Durflinger	Council Member	Jan. 2008
Mel Burton	Council Member	(deceased)
Shirley Stacey	Council Member (appointed June 2007)	Jan. 2008
(After January 2008)		
David Bowen	Mayor	Jan. 2010
Shirley Stacey	Council Member	Jan. 2010
Linda Durflinger	Council Member	Jan. 2010
Jerry Potts	Council Member	Jan. 2010
Neala Cranston	Council Member	Jan. 2010
Robert Moore	Council Member	Jan. 2010
Carrie Teninty	Clerk/Treasurer	Indefinite
Paul Zingg	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldon, Iowa as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Eldon's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of the cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldon as of and for the year ended June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated March 30, 2009 on our consideration of the City of Eldon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Budgetary comparison information on pages 24 through 26 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Eldon's basic financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
March 30, 2009

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## Basic Financial Statements

## CITY OF ELDON

## STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS

As of and for the Year Ended June 30, 2008

		Program Receipts		
		Charges	Operating	Capital Grants,
	Disbursements	for Services	Grants, Contributions and Restricted Interest	Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 88,012	\$ -	\$ -	\$ 3,564
Public works	148,970	-	87,559	5,471
Culture and recreation	54,525	-	9,200	45,000
Community and economic development	5,680	-	-	-
General government	63,767	5,522	-	-
Debt service	61,706	-	28,853	-
Total governmental activities	422,660	5,522	125,612	54,035
Business type activities:				
Water	163,609	148,139	-	-
Sewer	80,051	78,024	-	-
Garbage	81,477	80,380	-	-
Storm water	11,566	9,597	-	-
Total business type activities	336,703	316,140	-	-
Total	\$ 759,363	\$ 321,662	\$ 125,612	\$ 54,035



Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

Governmental		Business Type		
Activities		Activities	Total	
\$	(84,448)	\$	-	\$ (84,448)
	(55,940)		-	(55,940)
	(325)		-	(325)
	(5,680)		-	(5,680)
	(58,245)		-	(58,245)
	(32,853)		-	(32,853)
	(237,491)		-	(237,491)
	-	(15,470)		(15,470)
	-	(2,027)		(2,027)
	-	(1,097)		(1,097)
	-	(1,969)		(1,969)
	-	(20,563)		(20,563)
	(237,491)	(20,563)		(258,054)

CITY OF ELDON  
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS

As of and for the Year Ended June 30, 2008

General Receipts:

Property tax levied for:

General purposes

Emergency

Local option sales tax

Grants and contributions not restricted to  
specific purpose

Unrestricted interest on investments

Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets:

Restricted:

Streets

Debt service

Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ 146,061	\$ -	\$ 146,061
2,164	-	2,164
97,326	-	97,326
8,154	-	8,154
11,618	-	11,618
11,330	7,177	18,507
276,653	7,177	283,830
39,162	(13,386)	25,776
247,299	200,778	448,077
<u>\$ 286,461</u>	<u>\$ 187,392</u>	<u>\$ 473,853</u>
\$ 71,835	\$ -	\$ 71,835
26,613	-	26,613
(24,879)	-	(24,879)
212,892	187,392	400,284
<u>\$ 286,461</u>	<u>\$ 187,392</u>	<u>\$ 473,853</u>

CITY OF ELDON

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the Year Ended June 30, 2008

	Special Revenue				
			Local Option		
			Sales and	Nonmajor	
	General	Road	Services	Governmental	Total
		Use Tax	Tax	Funds	
Receipts:					
Property tax	\$ 83,377	\$ -	\$ -	\$ 64,848	\$ 148,225
Other City tax	8,798	-	97,326	-	106,124
Licenses and permits	3,285	-	-	-	3,285
Use of money and property	40,471	-	-	-	40,471
Intergovernmental	62,200	87,559	-	-	149,759
Charges for service	5,522	-	-	-	5,522
Miscellaneous	8,436	-	-	-	8,436
Total receipts	<u>212,089</u>	<u>87,559</u>	<u>97,326</u>	<u>64,848</u>	<u>461,822</u>
Disbursements:					
Operating:					
Public safety	63,075	-	4,280	20,657	88,012
Public works	-	94,000	40,331	14,639	148,970
Culture and recreation	54,525	-	-	-	54,525
Community and economic development	5,680	-	-	-	5,680
General government	54,511	-	3,888	5,368	63,767
Debt Service	41,853	-	-	19,853	61,706
Total disbursements	<u>219,644</u>	<u>94,000</u>	<u>48,499</u>	<u>60,517</u>	<u>422,660</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(7,555)</u>	<u>(6,441)</u>	<u>48,827</u>	<u>4,331</u>	<u>39,162</u>
Other financing sources (uses):					
Operating transfer in (note 5)	58,628	5,983	-	-	64,611
Operating transfer out (note 5)	-	-	(64,611)	-	(64,611)
Total other financing sources (uses):	<u>58,628</u>	<u>5,983</u>	<u>(64,611)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	51,073	(458)	(15,784)	4,331	39,162
Cash balances beginning of year	<u>66,770</u>	<u>72,293</u>	<u>83,758</u>	<u>24,478</u>	<u>247,299</u>
Cash balances end of year	<u>\$ 117,843</u>	<u>\$ 71,835</u>	<u>\$ 67,974</u>	<u>\$ 28,809</u>	<u>\$ 286,461</u>

CITY OF ELDON

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the Year Ended June 30, 2008

	Special Revenue				
		Road	Local Option	Other	
	General	Use Tax	Sales and	Nonmajor	Total
			Services	Governmental	
			Tax	Funds	
Cash Basis Fund Balances:					
Reserved:					
Debt service	\$ 15,890	\$ -	\$ -	\$ 10,723	\$ 26,613
Unreserved:					
General fund	101,953	-	-	-	101,953
Special revenue funds	-	71,835	67,974	33,924	173,733
Capital project funds	-	-	-	(24,879)	(24,879)
Permanent funds	-	-	-	9,041	9,041
Total cash basis fund					
balances	\$ <u>117,843</u>	\$ <u>71,835</u>	\$ <u>67,974</u>	\$ <u>28,809</u>	\$ <u>286,461</u>

See notes to financial statements.

## CITY OF ELDON

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the Year Ended June 30, 2008

	Enterprise Funds				
	Water	Sewer	Garbage	Storm Water	Total
Operating receipts:					
Charges for services	\$ 148,139	\$ 78,024	\$ 80,380	\$ 9,597	\$ 316,140
Operating disbursements:					
Business type activities	163,609	65,040	70,128	11,566	310,343
Excess (deficiency) of operating receipts over (under) operating disbursements	(15,470)	12,984	10,252	(1,969)	5,797
Non-operating receipts (disbursements):					
Miscellaneous	4,260	1,607	1,310	-	7,177
Debt service	-	(15,011)	(11,349)	-	(26,360)
Total non-operating receipts (disbursements)	4,260	(13,404)	(10,039)	-	(19,183)
Excess (deficiency) of receipts over (under) disbursements	(11,210)	(420)	213	(1,969)	(13,386)
Cash balances beginning of year	100,036	74,536	14,571	11,635	200,778
Cash balances end of year	\$ 88,826	\$ 74,116	\$ 14,784	\$ 9,666	\$ 187,392
Cash basis fund balances:					
Reserved for:					
Depreciation	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Reserve	24,663	-	6,000	-	30,663
Non-operating	-	37,087	-	-	37,087
Unreserved	54,163	37,029	8,784	9,666	109,642
Total cash basis fund balances	\$ 88,826	\$ 74,116	\$ 14,784	\$ 9,666	\$ 187,392

See notes to financial statements.

CITY OF ELDON  
STATEMENT OF CHANGES IN CASH BALANCES  
FIDUCIARY FUNDS  
As of and for Year Ended June 30, 2008

	Private Purpose Expendable Trusts		
	Sales Tax Collected	Water Department	Total
Additions:			
Miscellaneous:			
Amounts collected	\$ 11,850	\$ 2,200	\$ 14,050
Deduction:			
Public works:			
Collections remitted	10,849	2,710	13,559
Net	1,001	(510)	491
Cash balances beginning of year	3,039	12,739	15,778
Cash balances end of year	\$ 4,040	\$ 12,229	\$ 16,269

See notes to financial statements.

CITY OF ELDON  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

The City of Eldon is a political subdivision of the State of Iowa located in Wapello County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, storm sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Eldon has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The city has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the city but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Wapello County Assessor's Conference Board, Wapello County Emergency Management Commission, and Wapello County Joint E-911 Service board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.



CITY OF ELDON  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales and Services Tax Fund is used to account for monies received by the City for its share of the local option sales and services tax.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Storm Sewer Fund accounts for the operation and maintenance of the City's storm sewer system.

The Garbage Fund accounts for the operation and maintenance of the City's garbage collection system.

The City also reports fiduciary funds which account for the changes in cash balances and includes private purpose expendable trusts.

CITY OF ELDON  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The City of Eldon maintains its financial records and prepares its financial statements on the basis of cash receipts and disbursements, which does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, and debt service functions.

Note 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2008 are as follows:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. government securities	\$ <u>10,000</u>	\$ <u>18,480</u>

The City's investments in governmental securities are not subject to credit rating.

CITY OF ELDON  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 3. Long-Term Liabilities

Governmental Activities

General Obligation Capital Loan Notes

On December 1, 2004 the City issued general obligation capital loan notes of \$250,000 with an interest rate of 4.5% payable through June 30, 2025.

Details of the City's June 30, 2008 capital loan note indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2009	4.50 %	\$ 9,394	\$ 10,459
2010	4.50	9,817	10,036
2011	4.50	10,258	9,595
2012	4.50	10,720	9,133
2013	4.50	11,202	8,651
2014	4.50	11,707	8,146
2015	4.50	12,233	7,620
2016	4.50	12,784	7,069
2017	4.50	13,359	6,494
2018	4.50	13,960	5,893
2019	4.50	14,589	5,264
2020	4.50	15,245	4,607
2021	4.50	15,931	3,922
2022	4.50	16,648	3,205
2023	4.50	17,397	2,456
2024	4.50	18,180	1,673
2025	4.50	<u>18,442</u>	<u>855</u>
Total		\$ <u>231,866</u>	\$ <u>105,078</u>

CITY OF ELDON  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 3. Long-Term Liabilities (continued)

Governmental Activities (continued)

Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 3,813
Sick leave	5,779
Comp time	<u>975</u>
Total	<u>\$ 10,567</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

Business-type Activities

Revenue Notes

Details of the City's June 30, 2008 revenue note indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 10,614	\$ 13,898
2010	11,092	13,420
2011	11,591	12,922
2012	12,112	12,400
2013	12,657	11,855
2014	13,227	11,285
2015	13,822	10,690
2016	14,445	10,067
2017	15,094	9,418
2018-2022	34,315	40,741
2023-2027	42,761	32,294
2028-2032	53,289	21,766
2033-2037	<u>64,032</u>	<u>8,647</u>
Total	<u>\$ 309,051</u>	<u>\$ 209,403</u>

CITY OF ELDON  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 3. Long-Term Liabilities (continued)

The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

Capital Lease Payable

On March 15, 2007 the City entered into a capital lease purchase agreement for a new sanitation vehicle.

The lease is payable over ten years with an effective annual interest rate of 6.697%. The financed portion of the purchase price of the garbage truck was \$83,254.

Details of the capital lease are as follows:

Year Ending June 30,	Principal	Interest
2009	\$ 6,634	\$ 4,715
2010	7,078	4,271
2011	7,552	3,797
2012	8,057	3,291
2013	8,598	2,751
2014	9,173	2,176
2015	9,788	1,561
2016	10,443	906
2017	<u>8,274</u>	<u>223</u>
Total	<u>\$ 75,597</u>	<u>\$ 23,691</u>

Note 4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the City is required to contribute 6.05% of annual covered payroll, except for police employees, in which case the percentages are 5.64% and 8.47%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2008 was equal to the required contributions.

CITY OF ELDON  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

Note 5. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 58,628
Special Revenue:		
Road Use Tax		<u>5,983</u>
		<u>\$ 64,611</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 6. Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 361 members include various governmental entities through the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no redemption in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

CITY OF ELDON

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Risk Management (continued)

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2008 were \$26,468.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its expose to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claims or services of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage since the pools inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claims was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of the capital contributions. If a member withdrawals after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7. Financial Condition

The following fund had deficit fund balances at June 30, 2008:

Governmental:

Capital projects:

Fire Station Building \$ (24,879)

The deficits in the Capital Projects fund will be eliminated by transfers from other funds.

CITY OF ELDON

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 8. Loans and Construction Commitments

The City has a loan commitment from the Iowa Department of Natural Resources for Drinking Water State Revolving Loan funds for \$333,000 and a Community Development Block Grant award from the Iowa Department of Economic Development for \$300,000 to cover the costs of a new water tower and water mains. The City has not drawn on any loan or grant agreement at June 30, 2008.

The City has entered into contracts totaling \$82,050 for various construction projects. As of June 30, 2008, costs of \$10,800 had been incurred against the contracts. The balance of \$71,250 remaining at June 30, 2008 will be paid as work on the projects progresses.

Note 9. Subsequent Events

On October 9, 2008, the City entered into a contract with Winger Companies for \$10,898 for construction of a bridge on the American Gothic Trail.

On October 1, 2008, the City requested and was approved for an additional \$60,000 in Drinking Water State Revolving loan funds.



## Required Supplementary Information

CITY OF ELDON

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES –  
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 148,225	\$ -	\$ 148,225
Other city tax	106,124	-	106,124
License and permits	3,285	-	3,285
Use of money and property	40,471	-	40,471
Intergovernmental	149,759	-	149,759
Charges for services	5,522	316,140	321,662
Miscellaneous	8,436	7,177	15,613
Total receipts	<u>461,822</u>	<u>323,317</u>	<u>785,139</u>
Disbursements:			
Public safety	88,012	-	88,012
Public works	148,970	-	148,970
Culture and recreation	54,525	-	54,525
Community and economic development	5,680	-	5,680
General government	63,767	-	63,767
Debt service	61,706	26,360	88,066
Business type activities	-	310,343	310,343
Total disbursements	<u>422,660</u>	<u>336,703</u>	<u>759,363</u>
Excess (deficiency) of receipts over (under) disbursements	39,162	(13,386)	25,776
Other financing sources (uses), net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	39,162	(13,386)	25,776
Balances beginning of year	<u>247,299</u>	<u>200,778</u>	<u>448,077</u>
Balanced end of year	<u>\$ 286,461</u>	<u>\$ 187,392</u>	<u>\$ 473,853</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
\$ 137,698	\$ 137,698	\$ 10,527
90,215	90,215	15,909
6,750	12,105	(8,820)
9,500	11,800	28,671
88,350	100,350	49,409
338,550	363,550	(41,888)
8,900	35,300	(19,687)
679,963	751,018	34,121
56,585	60,000	(28,012)
82,000	94,000	(54,970)
42,407	45,975	(8,550)
-	-	(5,680)
190,936	219,136	155,369
48,706	48,706	(39,360)
324,550	349,550	39,207
745,184	817,367	58,004
(65,221)	(66,349)	92,125
28,853	28,853	(28,853)
(36,368)	(37,496)	63,272
1,130,371	1,176,767	(728,690)
\$ 1,094,003	\$ 1,139,271	\$ (665,418)

CITY OF ELDON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2008

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$72,183. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, and debt service functions.

## Other Supplementary Information

CITY OF ELDON

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
As of and for Year Ended June 30, 2008

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Employee Benefits</u>	<u>Emergency</u>	<u>Debt Service</u>	<u>Fire Station Building</u>
Receipts:				
Property tax	\$ 42,780	\$ 2,164	\$ 19,904	\$ -
Disbursements:				
Operating:				
Public safety	20,657	-	-	-
Public works	14,639	-	-	-
General government	5,368	-	-	-
Debt service	-	-	19,853	-
Total disbursements	40,664	-	19,853	-
Excess (deficit) receipts over (under) disbursements	2,116	2,164	51	-
Cash balances beginning of year	21,597	8,047	10,672	(24,879)
Cash balances end of year	\$ 23,713	\$ 10,211	\$ 10,723	\$ (24,879)
Cash basis fund balances:				
Reserved:				
Debt service	\$ -	\$ -	\$ 10,723	\$ -
Unreserved:				
Special revenue funds	23,713	10,211	-	-
Capital project funds	-	-	-	(24,879)
Permanent funds	-	-	-	-
	\$ 23,713	\$ 10,211	\$ 10,723	\$ (24,879)

See accompanying independent auditor's report.

<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
\$ <u>-</u>	\$ <u>64,848</u>
-	20,657
-	14,639
-	5,368
-	19,853
<u>-</u>	<u>60,517</u>
-	4,331
<u>9,041</u>	<u>24,478</u>
\$ <u><u>9,041</u></u>	\$ <u><u>28,809</u></u>
\$ -	\$ 10,723
-	33,924
-	(24,879)
<u>9,041</u>	<u>9,041</u>
\$ <u><u>9,041</u></u>	\$ <u><u>28,809</u></u>

CITY OF ELDON  
DETAILED SCHEDULE OF CASH TRANSACTIONS  
GENERAL FUND  
Year Ended June 30, 2008

Receipts:	
Property tax	\$ <u>83,377</u>
Other City tax:	
Cable franchise fee	8,154
Special assessment	<u>644</u>
	<u>8,798</u>
Licenses and permits:	
Cigarette	150
Beer and liquor	1,645
Building	185
Rental registrations	<u>1,305</u>
	<u>3,285</u>
Use of money and property:	
Interest on investments	11,618
Rent	<u>28,853</u>
	<u>40,471</u>
Intergovernmental:	
Federal grant	5,471
State grant	48,564
County library allocation	<u>8,165</u>
	<u>62,200</u>
Charges for service:	
Various charges	32
Charges for services	<u>5,490</u>
	<u>5,522</u>
Miscellaneous:	
Returned check charges	163
Sale cemetery lots	725
Memorials	83
Insurance proceeds	1,735
Refunds and reimbursements	272
Merchandise sale	4,516
Court fines	282
Contributions	<u>660</u>
	<u>8,436</u>
Total receipts	<u>212,089</u>



CITY OF ELDON  
DETAILED SCHEDULE OF CASH TRANSACTIONS  
GENERAL FUND  
Year Ended June 30, 2008

Disbursements:		
Public Safety:		
Police:		
Personal services	\$	41,784
Services and commodities		10,379
		<u>52,163</u>
Fire department:		
Personal services		1,474
Services and commodities		8,890
		<u>10,364</u>
Animal control:		
Services and commodities		548
		<u>63,075</u>
Culture and Recreation:		
Library:		
Personal services		15,558
Services and commodities		9,075
		<u>24,633</u>
Locktender House:		
Services and commodities		<u>3</u>
Parks and recreation:		
Services and commodities		<u>5,018</u>
American Gothic Trail:		
Services and commodities		<u>10,835</u>
Cemetery:		
Personal services		9,437
Services and commodities		4,599
		<u>14,036</u>
		<u>54,525</u>
Community and Economic Development:		
Payments to other agencies		4,400
Housing and Urban renewal		1,280
		<u>5,680</u>

CITY OF ELDON  
DETAILED SCHEDULE OF CASH TRANSACTIONS  
GENERAL FUND  
Year Ended June 30, 2008

Disbursements (continued):	
General Government:	
Mayor and Council Members:	
Personal services	\$ <u>5,878</u>
Financial administration:	
Personal services	3,492
Services and commodities	<u>10,809</u>
	<u>14,301</u>
Legal services	<u>14,279</u>
Insurance	<u>16,300</u>
City Hall and general buildings:	
Services and commodities	<u>3,753</u>
	<u>54,511</u>
Debt Service:	
Clinic building:	
Principal	37,014
Interest	<u>4,839</u>
	<u>41,853</u>
Total disbursements	<u>219,644</u>
Excess (deficiency) of receipts over (under) disbursements	(7,555)
Other financing sources:	
Operating transfer in	<u>58,628</u>
Net change in cash balances	51,073
Balance beginning of year	<u>66,770</u>
Balance end of year	\$ <u><u>117,843</u></u>

See accompanying independent auditor's report.

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CITY OF ELDON  
COMBINING DETAILED SCHEDULE OF CASH TRANSACTIONS  
ENTERPRISE FUNDS  
Year Ended June 30, 2008

	<u>Water Operating</u>	<u>Water Depreciation</u>	<u>Water Reserve</u>	<u>Sewer Operating</u>
Operating receipts:				
Charges for services:				
Sales of services	\$ 147,697	\$ -	\$ -	\$ 78,024
Other charges for services	442	-	-	-
Total operating receipts	<u>148,139</u>	<u>-</u>	<u>-</u>	<u>78,024</u>
Operating disbursements:				
Business type activities:				
Personal:				
Regular	33,401	-	-	25,178
Administrative	13,535	-	-	13,422
Purchased water	85,955	-	-	-
Payments to other agencies	-	-	-	-
Operating supplies	16,587	-	-	20,510
Other supplies	4,157	-	-	1,490
Maintenance and repair	2,393	-	-	-
Insurance	1,000	-	-	2,000
Utilities	4,472	-	-	1,214
Workers' compensation	1,600	-	-	820
Training	66	-	-	126
Other services	443	-	-	280
Total operating disbursements	<u>163,609</u>	<u>-</u>	<u>-</u>	<u>65,040</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(15,470)</u>	<u>-</u>	<u>-</u>	<u>12,984</u>

Non- Operating Sewer	Garbage	Garbage Reserve	Storm Water	Total
\$ -	\$ 80,380	\$ -	\$ 9,597	\$ 315,698
-	-	-	-	442
-	80,380	-	9,597	316,140
-	34,915	-	-	93,494
-	3,544	-	-	30,501
-	-	-	-	85,955
-	21,355	-	-	21,355
-	-	-	11,566	48,663
-	5,464	-	-	11,111
-	-	-	-	2,393
-	2,500	-	-	5,500
-	-	-	-	5,686
-	2,350	-	-	4,770
-	-	-	-	192
-	-	-	-	723
-	70,128	-	11,566	310,343
-	10,252	-	(1,969)	5,797

CITY OF ELDON  
COMBINING DETAILED SCHEDULE OF CASH TRANSACTIONS  
ENTERPRISE FUNDS  
Year Ended June 30, 2008

	<u>Water Operating</u>	<u>Water Depreciation</u>	<u>Water Reserve</u>	<u>Sewer Operating</u>
Non-operating receipts (disbursements):				
Late penalties	\$ 4,260	\$ -	\$ -	\$ 1,607
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total non-operating receipts (disbursements)	<u>4,260</u>	<u>-</u>	<u>-</u>	<u>1,607</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(11,210)</u>	<u>-</u>	<u>-</u>	<u>14,591</u>
Transfers in (out):				
Water sinking	(9,600)	-	-	-
Water reserve	-	-	9,600	-
Non-operating sewer	-	-	-	-
Sewer operating	-	-	-	(23,960)
Garbage reserve	-	-	-	-
Net transfers in (out)	<u>(9,600)</u>	<u>-</u>	<u>9,600</u>	<u>(23,960)</u>
Net change in cash balances	(20,810)	-	9,600	(9,369)
Cash balances beginning of year	<u>74,973</u>	<u>10,000</u>	<u>15,063</u>	<u>46,398</u>
Cash balances end of year	<u>\$ 54,163</u>	<u>\$ 10,000</u>	<u>\$ 24,663</u>	<u>\$ 37,029</u>

See accompanying independent auditor's report.

Non- Operating Sewer	Garbage	Garbage Reserve	Storm Water	Total
\$ -	\$ 1,310	\$ -	\$ -	\$ 7,177
(3,886)	(6,145)	-	-	(10,031)
(11,125)	(5,204)	-	-	(16,329)
(15,011)	(10,039)	-	-	(19,183)
(15,011)	213	-	(1,969)	(13,386)
-	-	-	-	(9,600)
-	-	-	-	9,600
23,960	-	-	-	23,960
-	-	-	-	(23,960)
-	-	-	-	-
23,960	-	-	-	-
8,949	213	-	(1,969)	(13,386)
28,138	8,571	6,000	11,635	200,778
\$ 37,087	\$ 8,784	\$ 6,000	\$ 9,666	\$ 187,392

CITY OF ELDON  
SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2008

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance June 30, 2007</u>
General obligation capital loan note:				
City fire station	December 1, 2004	4.50%	\$ 250,000	\$ <u>240,936</u>
Revenue notes payable:				
Sewer project	September 2, 1997	4.50%	270,900	\$ 243,875
Medical Clinic	October 18, 1999	4.50%	150,000	68,615
Medical Clinic	October 18, 1999	4.50%	82,000	<u>37,461</u>
				\$ <u>349,951</u>
Capital leases:				
Sanitation vehicle	March 15, 2007	6.697%	83,254	\$ <u>81,742</u>

See accompanying independent auditor's report.



Issued During Year	Redeemed During Year	Balance June 30, 2008	Interest Paid
<u>\$ -</u>	<u>\$ 9,070</u>	<u>\$ 231,866</u>	<u>\$ 10,783</u>
 \$ -	 \$ 3,886	 \$ 239,989	 \$ 11,125
 -	 24,412	 44,203	 3,130
 -	 12,602	 24,859	 1,708
<u>\$ -</u>	<u>\$ 40,900</u>	<u>\$ 309,051</u>	<u>\$ 15,963</u>
<u>\$ -</u>	<u>\$ 6,145</u>	<u>\$ 75,597</u>	<u>\$ 5,204</u>

CITY OF ELDON  
BOND AND NOTE MATURITIES

June 30, 2008

Year Ending June 30,	Revenue Notes		Revenue Notes		Revenue Notes		Total
	Rural Development		Rural Development		Rural Development		
	Sewer Loan		Loan		Loan		
	Issued September 2, 1997		Issued October 18, 1999		Issued October 18, 1999		
	Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount		
2009	4.50 % \$	4,221	4.50 % \$	4,092	4.50 % \$	2,301 \$	10,614
2010	4.50	4,411	4.50	4,276	4.50	2,405	11,092
2011	4.50	4,609	4.50	4,469	4.50	2,513	11,591
2012	4.50	4,816	4.50	4,670	4.50	2,626	12,112
2013	4.50	5,033	4.50	4,880	4.50	2,744	12,657
2014	4.50	5,260	4.50	5,099	4.50	2,868	13,227
2015	4.50	5,496	4.50	5,329	4.50	2,997	13,822
2016	4.50	5,744	4.50	5,569	4.50	3,132	14,445
2017	4.50	6,002	4.50	5,819	4.50	3,273	15,094
2018	4.50	6,272	-	-	-	-	6,272
2019	4.50	6,555	-	-	-	-	6,555
2020	4.50	6,850	-	-	-	-	6,850
2021	4.50	7,158	-	-	-	-	7,158
2022	4.50	7,480	-	-	-	-	7,480
2023	4.50	7,816	-	-	-	-	7,816
2024	4.50	8,168	-	-	-	-	8,168
2025	4.50	8,536	-	-	-	-	8,536
2026	4.50	8,920	-	-	-	-	8,920
2027	4.50	9,321	-	-	-	-	9,321
2028	4.50	9,741	-	-	-	-	9,741
2029	4.50	10,179	-	-	-	-	10,179
2030	4.50	10,637	-	-	-	-	10,637
2031	4.50	11,116	-	-	-	-	11,116
2032	4.50	11,616	-	-	-	-	11,616
2033	4.50	12,139	-	-	-	-	12,139
2034	4.50	12,685	-	-	-	-	12,685
2035	4.50	13,256	-	-	-	-	13,256
2036	4.50	13,852	-	-	-	-	13,852
2037	4.50	12,100	-	-	-	-	12,100
Total		\$ 239,989		\$ 44,203		\$ 24,859 \$	309,051

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Eldon, Iowa, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 30, 2009. Our report expresses an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Eldon's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Eldon's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Eldon's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-08, I-C-08 and I-D-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eldon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Governmental Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City of Eldon's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Eldon and other parties to whom City of Eldon may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Eldon during the course of our audit. Should you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
March 30, 2009

CITY OF ELDON  
SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- I-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent and individual employee from handling duties which are incompatible. We noted that the bank deposits, the posting of receipts and disbursements, and check writing are done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City should consider having the mayor or a council member periodically reconcile the checking accounting and trace deposits to the receipt book.

Response – The internal control will be reviewed on a regular basis.

Conclusion – Response accepted.

- I-B-08 Approval of Claims or Disbursements – There was no indication in the Council minutes that claims were either audited or approved by the Council. Without the documentation that the Council has reviewed and approved the claims, the internal control over disbursements is further weakened.

Recommendation – Council minutes should document that claims were audited and approved. Also, the claims should either be listed in the minutes or reference made to an attached list of claims that has been signed and dated by at least two Council members.

Response – This situation will be corrected. We have been publishing the approved claims with our minutes. However, we need to include them in the official signed minutes for better documentation.

Conclusion – Response accepted.

- I-C-08 Fire and Rescue and Library Activity – Some fire and rescue and library operating receipts and disbursements are being recorded in separate memorial funds which are not part of the City financial records. Such operating activities should be included as part of the General Fund. Thus the operating disbursements are not being approved by the City Council which has responsibility for all City funds. Also such operating disbursements are not subject to the City's budgetary controls.

Recommendation – All operating receipts and disbursements should be recorded as part of the City's general fund financial records subject to normal City controls. The memorial funds and any memorial activity may be maintained as a separate fund. However, the City should receive a report of activity and balances to be included as part of the City financial reporting.

Response – We will investigate implementation of the above recommendation.

Conclusion – Response accepted.

CITY OF ELDON  
SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part I: Findings Related to the Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

- I-D-08 Gothic Trail and Locktender House Activity – The operating receipts and disbursements for these activities are being recorded in separate accounts which are not part of the City financial records. Such operating activities should be included as part of the General Fund. Thus the operating disbursements are not being approved by the City Council which has responsibility for all City funds. Also such operating disbursements are not subject to the City's budgetary controls.

Recommendation – All operating receipts and disbursements should be recorded as part of the City's general fund financial records, thus being subject to normal City controls. The funds and activity may be maintained in a separate fund, however, the City should record the activity and balances as part of the City's financial reporting.

Response – We will implement the above recommendations.

Conclusion – Response accepted.

- I-E-08 Checks Recorded in Wrong Accounting Period – Checks were written in June but not recorded until July.

Recommendation – Checks should not be written in one month and then recorded in another month.

Response – We will not write checks in one month and record them in another month in the future.

Conclusion – Response accepted.

CITY OF ELDON  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget – Disbursements for the year ended June 30, 2008 exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended appropriately in the future, if applicable.

Conclusion – Response accepted.

- II-B-08 Questionable Disbursements – No disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- II-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jerry Potts, Council Member, Owner of Jerry’s Progas	Supplies	\$ 699

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Council Member Jerry Potts does not appear to represent a conflict of interest since the total transactions with the individual was less than \$2,500 during the fiscal year.

- II-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not, except for the matter discussed in comment I-B-08.

The Council held closed session meetings on July 10, 2007 and October 9, 2007. The purpose of the closed meeting was indicated as required by Chapter 21.5 of the Code of Iowa. However, there was no indication in the minutes that the Council approved going into the closed session or closing the closed session as required by Chapter 21.5(2) of the Code of Iowa. Also there was no indication of the action taken in the closed session or the fact that no action was taken as required by Chapter 21.5(3) of the Code of Iowa.

Recommendation – The City should make sure all closed sessions are properly documented and fully comply with all provisions of Chapter 21.5 of the Code of Iowa.

CITY OF ELDON  
SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-F-08 Council Minutes (continued)

Response – We will ensure that all Council meetings comply with all the Code requirements for closed sessions.

Conclusion – Response accepted.

II-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-H-08 Revenue Notes – The City has complied with the revenue note resolution.

II-I-08 Financial Condition – The following funds had deficit fund balances at June 30, 2008:

Capital Projects:

Fire Station Building	<u>\$24,879</u>
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Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position. Transfers should be made from appropriate funds to the Capital Projects.

Response – We will consider the recommended transfers.

Conclusion – Response accepted.

II-J-08 Perpetual Care Cemetery Annual Report – The City did not file an annual report with the Iowa Insurance Commission in accordance with Chapter 523I.813 of the Code of Iowa.

Recommendation – An annual report should be filed within four months following the end of the cemetery’s fiscal year in accordance with Chapter 523I.813 of the Code of Iowa.

Response – We will consult with the league of City Clerks to assist in determining the information and format required.

Conclusion – Response accepted.



CITY OF ELDON  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-K-08    Revenue Classifications – We noted several improper classifications of property tax and state and Federal grant receipts.

Recommendation – The City should review monthly revenue accounts and compare them to the budget to determine any unused, overused or underused classifications and reclassify any errors.

Response – We agree with the reclassification adjustments and will monitor revenue classifications on a monthly basis in the future.

Conclusion – Response accepted.

- II-L-08    Disbursements Netted to Receipts – We noted a disbursement that was coded to a receipt account when recorded by the City.

Recommendation – This practice bypasses the budgeting process by understating disbursements. All disbursement transactions in the future should be properly recorded.

Response – We will avoid this practice in the future and properly record all disbursements as such.

Conclusion – Response accepted.

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